Global Partnership on Output-based Aid
Grant Agreement

(Municipal Solid Waste Management Project)

between

NEPAL

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
and
INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of Funds Provided by the Government of the United Kingdom of Great Britain and Northern Ireland through its Department for International Development under the Global Partnership on Output-based Aid)

Dated March 25, 2013
GPOBA GRANT NUMBER TF 013464

GLOBAL PARTNERSHIP ON OUTPUT-BASED AID

GRANT AGREEMENT

AGREEMENT dated May 26, 2013, entered into between NEPAL ("the Recipient"); and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and INTERNATIONAL DEVELOPMENT ASSOCIATION ("the World Bank"), acting as administrator of funds provided by the Government of the United Kingdom of Great Britain and Northern Ireland through its Department for International Development under the Global Partnership on Output-based Aid ("GPOBA").

The Recipient and the World Bank hereby agree as follows:

Article I - Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank out of Various Funds, dated February 15, 2012 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II - The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("the Project"). To this end, the Recipient, through MoUD, shall cause the Town Development Fund ("the Project Implementing Entity") to carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III - The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million two hundred eighty eight thousand three hundred eighty one Dollars ($4,288,381) ("the Grant") which has been received by the World Bank into the GPOBA Trust Fund Grant Number TF 013464 to assist in financing the Project.
3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV - Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02(k) of the Standard Conditions consists of the following:

(a) that the Recipient’s Town Development Act, 1997 has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Subsidiary Agreement;

(b) that the Subsidiary Agreement, the Memorandum of Understanding or any of the Tripartite Project Implementation Agreements have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity or the Technical Implementing Partner to perform any of their obligations arising under such agreements or this Agreement;

(c) that the Recipient or the Project Implementing Entity has amended, suspended, abrogated, repealed or waived the Project Operations Manual so as to affect materially and adversely the carrying out of the Project;

(d) that IBRD or IDA has declared the Project Implementing Entity or the Technical Implementing Partner ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Project Implementing Entity or the Technical Implementing Partner has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Project Implementing Entity or the Technical Implementing Partner is ineligible to receive proceeds of any financing made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity or the Technical Implementing Partner has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by such financier; and
that the World Bank has determined after the Project becomes effective, pursuant to the provisions of Section 5.02 of this Agreement, that prior to the date of such effectiveness, but after the signing of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if the Grant had been effective on the date such event occurred.

Article V - Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank showing that the following conditions have been satisfied:

(a) the Recipient, through MoUD, the Project Implementing Entity and the Technical Implementing Partner have adopted the Project Operations Manual satisfactory to the World Bank.

(b) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity; and

(c) the Memorandum of Understanding has been executed on behalf of the Project Implementing Entity and the Technical Implementing Partner.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The World Bank shall promptly notify the Recipient of such later date.
Article VI - Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Secretary, Ministry of Finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile: (977-1) 4211-164

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development and
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Kathmandu, Nepal, as of the day and year first above written.

NEPAL

By

Authorized Representative

Name: Madhu Kumar Masasini
Title: Joint Secretary

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT AND INTERNATIONAL
DEVELOPMENT ASSOCIATION, acting as administrator
of funds provided by the Government of the United Kingdom
of Great Britain and Northern Ireland through its
Department for International Development under the Global
Partnership on Output-based Aid

By

Authorized Representative

Name: Tahseen Sayed
Title: Country Manager for Nepal
SCHEDULE 1 - Project Description

The objective of the Project is to improve access to high quality and financially sustainable solid waste management services in the Participating Municipalities.

The Project consists of the following Parts:

Part 1 - Service Delivery Subsidy

Provision of subsidies to Participating Municipalities to cover the gap between the costs of delivering solid waste management services and Beneficiary Revenues.

Part 2 - Implementation support to Participating Municipalities

Provision of technical assistance to Participating Municipalities to assist them in providing improved solid waste management services, including assistance with (a) preparing solid waste management service improvement plans; (b) establishing landfill operations manuals and providing training in landfill operations and management; (c) improving billing and revenue collection systems; (d) performance management, monitoring and evaluation; (e) designing and implementing integrated solid waste management activities based on 3R (reduce, reuse and recycle) principles; (f) designing and implementing information, education and communication campaigns; and (g) where appropriate, designing appropriate contractual arrangements with private sector and non-governmental or community-based organizations, and designing performance contracts for the SWM Units.

Part 3 - Project management, monitoring, evaluation and communications

Provision of technical assistance for Project management, including: (a) monitoring and independent verification of Outputs and performance; (b) baseline and beneficiary assessments; (c) other monitoring and evaluation activities, including studies; and (d) communication and information dissemination activities.
SCHEDULE 2 - Project Execution

Section I. **Institutional and Other Arrangements**

A. **Institutional Arrangements**

For purposes of Project oversight the Recipient shall maintain for the duration of the Project a Project steering committee, chaired by the Secretary of MoUD, and having composition and terms of reference acceptable to the World Bank, including representation from MoUD, MoF, MoFALD, the Recipient’s National Planning Commission, and the Technical Implementing Partner. The Executive Director of TDF shall be the Secretary of the Project steering committee.

B. **Project Operations Manual**

1. The Recipient, through MoUD shall cause the Project Implementation Entity and the Technical Implementing Partner to jointly:

   (a) prepare a Project Operations Manual which shall include, *inter alia*, a detailed description of the activities to be carried out under the Project, and the institutional and implementation arrangements for the Project, including: (i) the composition and functions of the Project Steering Committee; (ii) a time-bound roadmap for purposes of Project implementation; (iii) a description of the respective roles and responsibilities of the Recipient, the Project Implementing Entity, the Technical Implementing Partner, and the Participating Municipalities, (iii) the eligibility criteria for the selection of Participating Municipalities; (iv) the terms and conditions for the provision of Output-based service delivery Subsidies under Part I of the Project, including detailed procedures for verifying Outputs, and disbursement arrangements for such Subsidies; (v) procurement and financial management procedures; (vi) monitoring and evaluation arrangements; (vii) Project performance indicators, and procedures for monitoring them; (viii) reporting requirements; and (ix) guidelines and procedures describing the environmental and social safeguards mitigation measures acceptable to the World Bank as described in the Environmental and Social Management Framework;

   (b) afford the World Bank a reasonable opportunity to review such manual, and shall thereafter adopt such manual as shall have been approved by the World Bank; and

   (c) thereafter carry out the Project in accordance with the Project Operations Manual, and not amend, abrogate, waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, without the prior written consent of the World Bank.
2. In the event of any conflict between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

C. Subsidiary Agreement and Advances Facility

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant and the Advances Facility available to the Project Implementing Entity under a subsidiary agreement ("the Subsidiary Agreement") between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank, which shall include those set out in the Attachment to this Schedule 2.

2. The Recipient shall:

(a) exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant;

(b) except as the World Bank shall otherwise agree, not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions; and

(c) ensure that, in the event that any provision of the Subsidiary Agreement shall be in conflict with any provision of this Agreement, the provisions of this Agreement shall prevail.

3. The Recipient shall put in place mechanisms for securing repayments to the Advances Facility that are acceptable to the World Bank and the Project Implementing Entity.

D. Safeguards

1. The Recipient shall ensure, at all times during Project implementation, that:

(a) the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework and all plans prepared thereunder; and

(b) no action is taken which would prevent or interfere with such implementation.

2. The Recipient: (a) shall not amend the Environmental and Social Management Framework without the prior written consent of the World Bank; and (b) shall report promptly to the World Bank any issues that impact or could impact the implementation of the requirements of this section.
3. In the event of any inconsistency between the provisions of this Agreement and those of the Environmental and Social Management Framework the provisions of this Agreement shall prevail.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare or cause the Project Implementing Entity and the Technical Implementing Partner to prepare, Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Project Operations Manual, acceptable to the World Bank. Each Project Report shall cover the period of one (1) fiscal year trimester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall cause the Project Implementing Entity and the Technical Implementing Partner to jointly prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days
after the end of each fiscal year trimester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall ensure that the Financial Statements of the Project are audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consulting-services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods, works and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Project Implementing Entity for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than National Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; (c) Force Account; and (d) National Competitive Bidding, in accordance with the provisions of the Public Procurement Act and rules, subject to the following additional procedures:

(i) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(ii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;

(iii) bids shall be opened in public in one place, immediately after the deadline for submission of bids;

(iv) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;

(v) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the World Bank and contracts shall be awarded to the lowest evaluated bidders;

(vi) rebidding shall not be carried out without the prior concurrence of the World Bank;

(vii) extension of bid validity shall not be allowed without the prior concurrence of the World Bank: (A) for the first request for extension if it is longer than four (4) weeks; and (B) for all subsequent requests for extension irrespective of the period; and

(viii) there shall not be any restrictions on the means of delivery of the bids.

C. **Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Selection based on Consultants’ Qualifications; (b) Fixed Budget Selection; (c) Single-source Selection of consulting firms; (d) Least Cost Selection; (e) Procedures set forth in paragraph 5.1 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the selection of Individual Consultants.

D. **Review by the World Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. **Withdrawal of Grant Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Subsidies under Part 1 of the Project</td>
<td>3,013,381</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' services, goods and Training under Part 2 of the Project</td>
<td>580,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants' services, goods and Incremental Operating Costs under Part 3 of the Project</td>
<td>695,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** 4,288,381

### B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made

   (a) for payments made prior to the date of the countersignature of this Agreement except that withdrawals up to an aggregate amount not to exceed $15,000 equivalent may be made for payments made prior to this date but on or after July 20, 2012, for Eligible Expenditures under Category 3;

   (b) under Category (1) unless and until the Project Implementing Entity has hired an Independent Technical Verification Agent and the Independent Financial Verification Agent as provided for in Part F of the Attachment to Schedule 2 to this Agreement; and

   (c) with respect to a Participating Municipality unless such Municipality has entered into a TPIA as provided for in Part D of the Attachment to Schedule 2 to this Agreement.

4. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2017.
ATTACHMENT TO SCHEDULE 2

Principal Terms and Conditions of the Subsidiary Agreement

A. Transfer of Funds

1. The Recipient shall make the proceeds of the Grant available to the Project Implementing Entity, as a grant, for purposes of the Project.

2. The Project Implementing Entity shall provide the proceeds of the Grant allocated from time to time to Category 1 in the table in Section IV, Part A.2 of this Schedule to the Participating Municipalities as Subsidies, as provided for in Part D of this Attachment.

3. Without limitation upon the foregoing, the Recipient shall make available to the Project Implementing Entity, as a grant, each trimester an amount sufficient to provide advance to the municipalities (the Advance) to capitalize an Advances Facility for the duration of the Project. Subject to the World Bank’s approval, the Recipient may reallocate funds from the Advances Facility to other uses under the Project.

4. The Project Implementing Entity shall use the Advances Facility to make repayable advances to Participating Municipalities for financing Project related expenditures.

B. Project Implementation

1. Throughout the period of implementation of the Project, the Project Implementing Entity shall maintain, or cause to be maintained, Project personnel, with terms of reference, and resources acceptable to the World Bank, to be responsible for implementing the Project.

2. Unless the World Bank shall otherwise agree, the Project Implementing Entity shall ensure that, except in case of unsatisfactory performance, or as required by the Recipient’s laws, the above-mentioned Project team members shall not be transferred to other positions until completion of the Project, and, in the case of the accounts and finance officers, no such transfer shall occur until at least six (6) months after the Closing Date or submission by the Recipient of the final audited Financial Statements, whichever occurs later.

3. The Project Implementing Entity shall carry out the Project with due diligence and efficiency and in accordance with the Project Operations Manual, the Environmental and Social Management Framework, and with appropriate administrative, management, financial, social and environment practices acceptable to the World Bank, including the Anti-Corruption Guidelines.
applicable to the recipient of the Grant proceeds other than the Recipient, and provide, promptly as needed, the funds required for the purpose.

C. Memorandum of Understanding

1. To facilitate the carrying out of the Project, the Project Implementing Entity shall enter into a Memorandum of Understanding with the Technical Implementing Partner under terms and conditions satisfactory to the Recipient and the World Bank, including the responsibility of the Technical Implementing Partner for:

(a) technical monitoring and evaluation of the Project, including the collection of data;

(b) monitoring the performance of the Participating Municipalities in accordance with the Technical Scorecards;

(c) providing and/or coordinating implementation support to the Participating Municipalities under Part 2 of the project; and

(d) preparing procurement packages (including terms of reference) for the ITVA and all other Technical Consultants as required; participating in the shortlisting and evaluation of Technical Consultants; and overseeing the activities of the Technical Consultants.

D. Tripartite Project Implementation Agreements

1. For the purposes of Part 1 of the Project, the Project Implementing Entity shall make the proceeds of the Grant allocated from time to time to Category 1 in the table in Section IV, Part A.2 of this Schedule available to the Participating Municipalities under TPIAs to be entered into jointly with the Technical Implementing Partner and each Participating Municipality, under and with terms and conditions satisfactory to the Recipient and the World Bank including, but not limited to, the following:

(a) Each Participating Municipality shall establish and maintain for the duration of the Project (i) a solid waste management committee responsible for monitoring and evaluation of Project activities within the Municipality; and (ii) a dedicated SWM Unit responsible for day to day provision of solid waste management services, for setting up the data collection system for the Technical Scorecard, and for the day to day collection of data.

(b) Each Participating Municipality shall (i) carry out Project activities in accordance with the provisions of the Environmental and Social Management Framework, and all plans prepared thereunder, and any
additional social and environmental safeguard measures described in the Project Operations Manual; and (ii) take no action which would prevent or interfere with such implementation.

(c) Prior to the commencement of the final bidding process for civil works the Participating Municipality shall:

(i) carry out the relevant site-specific, environmental impact assessment, and thereafter prepare, in accordance with the Environmental and Social Management Framework, resettlement action plans, environmental management plans, and/or indigenous development plans, as the case may be, in form and substance satisfactory to the World Bank; and

(ii) except as otherwise agreed with the World Bank, submit the said plans to the World Bank for review and approval and thereafter adopt the plans and ensure that they are disclosed publicly in a manner satisfactory to the World Bank.

(d) The Project Implementing Entity shall provide Subsidies to each Participating Municipality under Part I of the Project based on agreed annual multiples of verified Beneficiary Revenues collected, provided that solid waste management services meet verified minimum performance criteria on the Technical Scorecard.

(e) The Participating Municipalities shall only be eligible to earn up to a maximum Subsidy in any given year regardless of the amount of verified Beneficiary Revenues collected, all to be specified in detail in the Tripartite Project Implementation Agreement.

(f) No Participating Municipality shall receive a Subsidy unless and until the Project Implementing Entity has received a Technical Verification Report, acceptable to the Project Implementing Entity and the World Bank, showing that such Municipality has achieved the required minimum service performance as specified in the TPIA.

(g) After the First Year, no Participating Municipality shall receive any technical assistance under Part 2 of the Project in any year unless and until the Project Implementing Entity has received at least one Technical Verification Report, acceptable to the Project Implementing Entity and the World Bank, in that year, showing that such Municipality has achieved the required minimum service performance standards as specified in the TPIA.

(h) Each Participating Municipality may, before or after becoming eligible to receive Subsidies under this Agreement, apply for an Advance out of the
E. Financial management and Project Reports

1. The Project Implementing Entity shall:

(a) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations and financial conditions, including the operations, resources and expenditures related to the Project;

(b) have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and furnish the statements as so audited to the Recipient and the World Bank not than later than six (6) months after the end of its fiscal year;

(c) enable the Recipient and the World Bank to inspect its operation and any relevant records and documents;

(d) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing;

(e) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, on the basis of the indicators set forth in the Project Operations Manual, the carrying out of the Project and the achievement of the objectives thereof; and

(f) prepare, under terms of reference satisfactory to the World Bank, and furnish to the Recipient for its review and submission to the World Bank as provided for in Section II, Part A.1 of this Schedule 2, trimester reports integrating the results of the monitoring and evaluation performed on the progress achieved in the carrying out of the Project during the period preceding the date of each such report.

F. Independent Technical Verification Agent and Independent Financial Verification Agent

1. For purposes of Part 1 of the Project, The Project Implementing Entity shall:
(a) hire an Independent Technical Verification Agent and an Independent Financial Verification Agent both in accordance with Section III of this Schedule 2;

(b) cause the Independent Technical Verification Agent and the Independent Financial Verification Agent to carry out at least once each calendar trimester for each Participating Municipality: (i) a technical verification confirming acceptable delivery of solid waste management services by such Participating Municipality; and (ii) a financial verification confirming the level of Beneficiary Revenues collected based on a validation of the solid waste management tariffs/charges deposited in the Participating Municipality’s accounts; and

(c) not provide any Subsidy to a Participating Municipality under Part 1 of the Project until and unless it has received, with respect to such Municipality, an acceptable Independent Technical Verification Report followed by acceptable Independent Financial Verification Report for the trimester preceding such Reports.

G. Safeguards

1. Without limitation upon its other reporting obligations under Part E above, the Project Implementing Entity shall take all measures necessary on its part to regularly collect, compile and submit to the World Bank, on a trimester basis and as part of the progress reports due under the Project, reports on the status of compliance with the Environmental and Social Management Framework, and any plans prepared thereunder, such reports to detail:

   (a) measures taken in furtherance of such framework and plans;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such framework and plans; and

   (c) remedial measures taken or required to be taken to address such conditions.

H. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
APPENDIX - Definitions

1. "Advance" means the amount to be made available to the Project Implementing Entity by the Recipient out of the Recipient’s own funds for the purposes of establishing and maintaining an Advances Facility.

2. "Advances Facility" means the facility to be established and maintained by the Project Implementing Entity for the purposes of providing advances to Participating Municipalities as provided for in the Attachment to Schedule 2.


4. "Beneficiaries" means persons that meet the eligibility criteria set out in the Project Operations Manual and who are receiving or will receive solid waste management services in exchange for fees charged.

5. "Beneficiary Revenues" means actual verified revenues from Beneficiaries through solid waste management fees charged in exchange for verified solid waste management services that meet minimum performance criteria on the Technical Scorecard and as specified in the Project Operations Manual.

6. "Environmental and Social Management Framework" means the Recipient’s framework, dated October 2012, publicly disclosed on November 2, 2012 and acceptable to the World Bank, setting forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, and to enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such framework.

7. "First Year" means the first twelve (12) months after the date of effectiveness of this Agreement.

8. "Incremental Operating Costs" means the reasonable costs incurred by the Project Implementing Entity and/or the Technical Implementing Partner on account of Project implementation, including office and IT equipment and supplies, vehicle operation and maintenance, insurance costs, office administration costs, utilities, travel, per diem and supervision costs and salaries of locally contracted employees, but excluding salaries of staff of the Project Implementing Entity, the Technical Implementing Partner or the Recipient’s civil service.
9. “Independent Financial Verification Agent” and “IFVA” means the agent to be appointed by the Project Implementing Entity as provided for in Part F.1 of the Attachment to Schedule 2 to this Agreement, to carry out trimester verifications of the level of Beneficiary Revenues collected by the Participating Municipalities.

10. “Independent Financial Verification Report” means each of the trimester reports to be submitted to the Project Implementing Entity by the Independent Financial Verification Agent as provided for in Part F.1 of the Attachment to Schedule 2 to this Agreement, verifying the Beneficiary Revenues collected by a Participating Municipality, as set forth in the Project Operations Manual.

11. “Independent Technical Verification Agent” and “ITVA” mean the independent technical verification agent to be appointed by the Project Implementing Entity as provided for in Part F.1 of the Attachment to Schedule 2 to this Agreement, to carry out trimester verifications of compliance with the requirement and standards set out in the Technical Scorecard for each Participating Municipality.

12. “Independent Technical Verification Report” means each of the trimester reports to be submitted to the Project Implementing Entity by the Independent Technical Verification Agent as provided for in Part F.1 of the Attachment to Schedule 2 to this Agreement, verifying that the solid waste management services provided by a Participating Municipality meet the agreed minimum performance criteria on the Technical Scorecard.

13. “Memorandum of Understanding” means the memorandum to be entered into between the Project Implementing Entity and the Technical Implementing Partner, as provided for in Schedule 2, Section I, Part E.3 of this Agreement, setting out roles and responsibilities of the Technical Implementing Partner with regard to the Project.


15. “MoF” means the Recipient’s Ministry of Finance, or any successor thereto.


17. “Output” means the verified currency units of Beneficiary Revenues collected through solid waste management fees charged in exchange for verified solid waste management services that meet minimum performance criteria on the Technical Scorecard.
18. "Participating Municipality" means a Municipality that has been selected in accordance with the eligibility criteria set forth in the Project Operations Manual to participate in the Project.

19. "Project Implementing Entity" means the Town Development Fund

20. "Project Operations Manual" means the manual to be prepared jointly by the Recipient, through MoUD, the Project Implementing Entity and the Technical Implementing Partner as provided for in Schedule 2, Section 1, Part A of this Agreement, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual.

21. "Project Steering Committee" means the committee to be established and maintained by the Recipient as provided for in Schedule 2, Section 1 Part A of this Agreement to provide Project oversight.

22. "Rupees" and "NPR" mean the lawful currency of the Recipient.

23. "Subsidiary Agreement" means the agreement to be entered into between the Recipient and the Project Implementing Entity under terms and conditions satisfactory to the Recipient and the World Bank as provided for in Schedule 2, Section 1, Part B.1 of this Agreement, setting out the obligations of the parties thereto throughout Project implementation.

24. "Subsidy" means the service delivery subsidy to be provided to a Participating Municipality as a grant under Part I of the Project as provided for in Schedule 2, Section 1, Part E.4 of this Agreement, to cover the gap between its costs (including capital costs, operations and maintenance costs, overhead and other expenses such as billing, administration office expenses and communication and outreach) of delivering solid waste management services and the Beneficiary Revenues (as herein defined) collected.

25. "SWM Units" means the dedicated units to be established by each Participating Municipality and maintained for the duration of the Project as provided for in Schedule 2, Section 1, Part E.4 (a) of this Agreement, responsible for the day to day provision of solid waste management services and for the collection of Project performance monitoring data.

26. "SWMTSC" means the Solid Waste Management Technical Support Centre, an autonomous body established pursuant to the Recipient's Solid Waste Management Act of 2011 for the purpose managing solid wastes and mobilizing resources for such purpose, or any successor thereto, the Technical Implementing Partner for the Project.
27. “Technical Consultant” means a consultant hired or to be hired by the Project Implementing Entity to provide technical assistance to a Participating Municipality under Part 2 of the Project.

28. “Technical Scorecard” means the technical scorecard developed by the Recipient to monitor the delivery of services and cost recovery by each Participating Municipality and containing key performance indicators to track: (a) the implementation of the solid waste management strategy and action plan of the Participating Municipality (b) the availability of a system to capture and report key operational data; (c) the provision of collection and disposal services against defined targets; and (d) the developments in collection ratio, tariffs and cost recovery.

29. “Town Development Fund” means the autonomous municipal finance institution established and operating under the Recipient’s Town Development Fund Act, 1997 as a corporate body with the mandate to provide financial and technical support to urban sector institutions, or any successor thereto.


31. “Training” means, in respect of Category (2): (a) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered.

32. “Tripartite Project Implementation Agreement” and “TPIA” mean an agreement to be entered into among the Project Implementing Entity, the Technical Implementing Partner and a Participating Municipality under terms and conditions satisfactory to the Recipient and the World Bank as provided for in Part D of the Attachment to Schedule 2 to this Agreement, setting out the obligations of the parties thereto during Project implementation, as such agreements may be revised from time to time with the prior written consent of the World Bank.